



Burwill Holdings Limited

寶威控股有限公司

(incorporated in Bermuda with limited liability)

Stock code : 24

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Interim Report **2012**

The Directors of Burwill Holdings Limited (the "Company") hereby present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 as follows:

Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Sales	2	3,055,409	3,548,318
Cost of sales		(2,988,987)	(3,433,362)
Gross profit		66,422	114,956
Other gains, net	3	7,578	2,744
Selling and distribution expenses		(30,783)	(30,047)
General and administrative expenses		(47,973)	(46,361)
Share option expenses		(164)	(2,959)
Operating (loss)/profit	2 & 4	(4,920)	38,333
Finance costs	5	(27,817)	(27,628)
Fair value gains/(losses) on other financial assets		11,657	(140,569)
Share of profits of associates		138	3,217
Loss before income tax		(20,942)	(126,647)
Income tax expense	6	990	(803)
Loss for the period		(19,952)	(127,450)
Loss attributable to:			
Owners of the Company		(18,620)	(132,360)
Non-controlling interests		(1,332)	4,910
		(19,952)	(127,450)
Loss per share attributable to owners of the Company during the period — basic and diluted	7	(0.38) HK Cents	(2.81) HK Cents

Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Loss for the period	(19,952)	(127,450)
Other comprehensive income:		
Share of other comprehensive income of associates	353	1,297
Currency translation differences	(5,598)	17,930
	<hr/>	<hr/>
Other comprehensive (expense)/income for the period, net of tax	(5,245)	19,227
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Total comprehensive expense for the period	(25,197)	(108,223)
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Attributable to:		
Owners of the Company	(23,208)	(117,961)
Non-controlling interests	(1,989)	9,738
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Total comprehensive expense for the period	(25,197)	(108,223)
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Condensed Consolidated Balance Sheet

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Notes		
ASSETS		
Non-current assets		
Leasehold land and land use rights	10,863	11,046
Property, plant and equipment	434,127	439,611
Investment properties	819,807	819,655
Intangible assets	584,318	588,051
Investments in associates	98,419	97,928
Club debentures	1,509	1,509
Prepayments and other receivables	38,621	39,217
Deferred income tax assets	26,161	24,899
	2,013,825	2,021,916
Total non-current assets		
Current assets		
Inventories	181,544	167,815
Financial assets at fair value through profit or loss	4,146	6,360
Other financial assets	83,655	71,998
Bills and accounts receivable	1,192,453	1,287,014
Deposits, prepayments and other receivables	201,803	241,143
Due from associates	185	185
Due from a related company	1,751	1,751
Income tax refundable	178	—
Cash and bank balances	170,228	246,610
	1,835,943	2,022,876
Total current assets		
	3,849,768	4,044,792
Total assets	3,849,768	4,044,792



Condensed Consolidated Balance Sheet (Continued)

		Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
	Notes		
EQUITY			
Equity attributable to owners of the Company			
Share capital	9	487,536	487,536
Other reserves		961,873	966,297
Retained profits		512,918	531,538
		1,962,327	1,985,371
Non-controlling interests		279,603	281,222
		2,241,930	2,266,593
LIABILITIES			
Non-current liabilities			
Borrowings		250,154	228,155
Provision for land restoration and environmental costs		4,226	4,226
Deferred income tax liabilities		184,371	182,755
		438,751	415,136
Current liabilities			
Borrowings		766,467	917,788
Due to related companies		23,315	24,079
Bills and accounts payable	10	196,518	228,595
Other payables and accruals		182,494	190,712
Income tax payable		293	1,889
		1,169,087	1,363,063
Total current liabilities		1,169,087	1,363,063
		1,607,838	1,778,199
Total equity and liabilities		3,849,768	4,044,792
Net current assets		666,856	659,813
Total assets less current liabilities		2,680,681	2,681,729

Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2012				
	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2012	487,536	966,297	531,538	281,222	2,266,593
Total comprehensive expense for the period	—	(4,588)	(18,620)	(1,989)	(25,197)
Transactions with owners					
Employees share option scheme:					
— value of employee services	—	164	—	—	164
Capital injection	—	—	—	370	370
	—	164	—	370	534
At 30 June 2012	487,536	961,873	512,918	279,603	2,241,930

Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited six months ended 30 June 2011				
	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2011	441,536	775,667	836,225	207,838	2,261,266
Total comprehensive expense for the period	—	14,399	(132,360)	9,738	(108,223)
Transactions with owners					
Issue of shares	46,000	174,800	—	—	220,800
Share issue expenses	—	(6,770)	—	—	(6,770)
Employees share option scheme:					
— value of employee services	—	2,959	—	—	2,959
Capital injection	—	—	—	181	181
	46,000	170,989	—	181	217,170
Change in ownership interests in subsidiaries without change of control	—	(50,609)	—	50,609	—
	46,000	120,380	—	50,790	217,170
At 30 June 2011	487,536	910,446	703,865	268,366	2,370,213

Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	46,951	(50,804)
Net cash generated from/(used in) investing activities	11,630	(80,304)
Net cash used in financing activities	(128,618)	(80,273)
Increase in pledged bank deposits	(21,158)	(13,914)
Net decrease in cash and cash equivalents	(91,195)	(225,295)
Cash and cash equivalents at 1 January	190,934	370,813
Effect of exchange rate changes	(211)	2,237
Cash and cash equivalents at 30 June	99,528	147,755
Analysis of the balances of cash and cash equivalents		
Cash at banks and on hand	100,005	155,676
Short-term bank deposits	70,223	68,769
	170,228	224,445
Less: Pledged bank deposits	(46,282)	(16,249)
Short-term bank deposits with original maturity of more than three months	(23,941)	(31,930)
Bank overdrafts	(477)	(28,511)
	99,528	147,755

Notes:

(1) Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated financial statements should be read in conjunction with the financial statements for the year ended 31 December 2011.

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the financial statements for the year ended 31 December 2011, except that the Group has adopted the new and amended standards and interpretations which are mandatory for financial year ending 31 December 2012. The adoption of the new and amended standards and interpretations has no significant effect on these financial statements.

The Group has not early adopted any new and amended standards and interpretations that have been issued by the HKICPA but are not yet effective.

(2) Segment Information

Turnover recognised during the six months period is as follows:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Sale of goods	3,024,962	3,525,149
Rental income	20,407	15,838
Service income	10,040	7,331
	3,055,409	3,548,318

(2) Segment Information (Continued)

The segment results are as follows:

	Unaudited						Group HK\$'000
	Six months ended 30 June 2012						
	Steel trading HK\$'000	Steel processing HK\$'000	Mineral resources HK\$'000	Commercial property HK\$'000	Others HK\$'000	Unallocated HK\$'000	
Total segment sales	2,863,674	165,450	—	20,407	10,068	—	3,059,599
Inter-segment sales	(4,162)	—	—	—	(28)	—	(4,190)
Sales to external customers	2,859,512	165,450	—	20,407	10,040	—	3,055,409
Operating profit/(loss) before below items	5,306	(3,629)	(11,048)	15,284	1,715	(15,435)	(7,807)
Fair value gains on financial assets at fair value through profit or loss	—	—	—	—	—	3,051	3,051
Share option expenses	—	—	—	—	—	(164)	(164)
Operating profit/(loss)	5,306	(3,629)	(11,048)	15,284	1,715	(12,548)	(4,920)
Finance costs	(14,002)	(1,396)	(6,164)	(4,768)	—	(1,487)	(27,817)
Fair value gains on other financial assets	—	—	—	—	—	11,657	11,657
Share of profits of associates	—	—	—	—	—	138	138
Segment results	(8,696)	(5,025)	(17,212)	10,516	1,715	(2,240)	(20,942)
Income tax expense							990
Loss for the period							(19,952)

(2) Segment Information (Continued)

	Unaudited Six months ended 30 June 2011						Group HK\$'000
	Steel trading HK\$'000	Steel processing HK\$'000	Mineral resources HK\$'000	Commercial property HK\$'000	Others HK\$'000	Unallocated HK\$'000	
Total segment sales	3,320,700	155,402	49,047	15,838	7,358	—	3,548,345
Inter-segment sales	—	—	—	—	(27)	—	(27)
Sales to external customers	<u>3,320,700</u>	<u>155,402</u>	<u>49,047</u>	<u>15,838</u>	<u>7,331</u>	<u>—</u>	<u>3,548,318</u>
Operating profit/(loss) before below items	47,030	(3,818)	4,082	12,960	1,365	(19,139)	42,480
Fair value losses on financial assets at fair value through profit or loss	—	—	—	—	—	(1,188)	(1,188)
Share option expenses	—	—	—	—	—	(2,959)	(2,959)
Operating profit/(loss)	47,030	(3,818)	4,082	12,960	1,365	(23,286)	38,333
Finance costs	(15,971)	(1,303)	(5,422)	(4,467)	—	(465)	(27,628)
Fair value losses on other financial assets	—	—	—	—	—	(140,569)	(140,569)
Share of profits of associates	—	—	—	—	—	3,217	3,217
Segment results	31,059	(5,121)	(1,340)	8,493	1,365	(161,103)	(126,647)
Income tax expense							(803)
Loss for the period							<u>(127,450)</u>

(2) Segment Information (Continued)

The sales by location of customers are as follows:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Asia (other than Mainland China and Hong Kong)	988,157	606,375
Mainland China	750,507	1,511,393
Hong Kong	544,066	39,699
Europe	501,246	1,217,168
Others	271,433	173,683
	3,055,409	3,548,318

(3) Other Gains, Net

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Fair value gains/(losses) on financial assets at fair value through profit or loss	3,051	(1,188)
Interest income:		
— on bank deposits	1,001	498
— on other receivables	709	86
Dividend income	71	4
Fair value loss on investment properties	(29)	—
Gain/(Loss) on disposal of property, plant and equipment	3	(514)
Others	2,772	3,858
	7,578	2,744

(4) Operating (Loss)/Profit

Operating (loss)/profit is stated after charging the following:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	6,154	5,095
Amortisation of prepaid operating lease payments	183	184
Amortisation of intangible assets	3,762	3,484
Operating lease rentals	1,072	1,152
Net exchange loss	1,708	897
	17,981	15,812

(5) Finance Costs

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest on:		
— Bank borrowings wholly repayable within five years	27,094	27,494
— Other loans	668	46
— Finance lease liabilities	55	88
	27,817	27,628

(6) Income Tax Expense

The Company is exempted from taxation in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands are exempted from British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the six months period. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax of 25% (2011: 24% to 25%) on their taxable income determined according to Mainland China tax laws. Taxation on other overseas profits has been calculated on the estimated assessable profit for the six months period at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Current tax		
— Mainland China taxation	418	92
Adjustments in respect of prior years		
— Mainland China taxation	113	547
Deferred income tax relating to the origination and reversal of temporary differences	(1,521)	164
Income tax expense	(990)	803

(7) Loss per Share

Basic and diluted

Basic and diluted loss per share are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 30 June	
	2012	2011
Loss attributable to owners of the Company (HK\$'000)	(18,620)	(132,360)
Weighted average number of ordinary shares in issue (thousands)	4,875,360	4,715,249
Basic and diluted loss per share (HK cents per share)	(0.38)	(2.81)

The outstanding share options have an anti-dilutive effect on the basic loss per share for the six months period ended 30 June 2011 and 2012.

(8) Bills and Accounts Receivable

The Group normally grants to its customers credit periods for sales of goods ranging from 30 days to 120 days. Consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreement. Rentals in respect of leased properties is payable by the tenants on a monthly basis.

Ageing analysis of bills and accounts receivable is as follows:

	Unaudited	Audited
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Within three months	1,079,771	1,186,474
Over three months but within six months	110,422	100,498
Over six months but within twelve months	2,260	1
Over twelve months	—	41
	1,192,453	1,287,014

(9) Share Capital

	Unaudited	
	Number of	Nominal value
	shares	HK\$'000
	'000	HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2012 and 30 June 2012	6,800,000	680,000
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2012 and 30 June 2012	4,875,360	487,536

(10) Bills and Accounts Payable

Ageing analysis of bills and accounts payable is as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Within three months	182,869	226,005
Over three months but within six months	876	1,533
Over six months but within twelve months	11,603	922
Over twelve months	1,170	135
	196,518	228,595

(11) Related Party Transactions

The following transactions were carried out with related parties during the period:

	Unaudited Six months ended 30 June 2012 HK\$'000	2011 HK\$'000
Rental income received from associates	2,123	1,236
Service income received from an associate	376	197
Key management compensation	12,639	13,115

(12) Events after the end of Reporting Period

On 31 May 2012, the Company proposed to acquire, through its wholly-owned subsidiary, Burwill Minerals Limited ("BML") the entirety of the 685,700,000 shares of the Company allotted and issued in the name of Tai Xin Holdings Limited and charged in favour of BML in accordance with the terms of the share pledge dated 31 March 2010 and the share purchase agreement dated 5 November 2009 (as amended by the two supplemental agreements dated 24 December 2009 and 31 March 2010 respectively) (the "Share Repurchase"). No consideration is required to be paid to Tai Xin Holdings Limited in order to effect the Share Repurchase. The Share Repurchase was approved by the independent shareholders of the Company at the special general meeting held on 26 July 2012.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

BUSINESS REVIEW AND OUTLOOK

For the first half of 2012, the Group's sales revenue slightly decreased by 13.89% to approximately HK\$3,055 million, while gross profit fell 42.22% to approximately HK\$66 million, compared with the same period last year. Amid the European sovereign debt crisis, falling price of global bulk cargo, the Group recorded a loss attributable to shareholders of approximately HK\$18.6 million. Due to the change in the fair value of the contingent consideration regarding the acquisition of a magnetite iron ore mining project in Shandong, a non-cash gain of approximately HK\$11.7 million was recorded for the first half of 2012.

Steel Trading

The global economy has been in the declining trend of a business cycle since the fourth quarter last year. Sluggish market demand, falling commodity prices, and oversupply of steel and iron ore have all contributed to the tough business environment which has seldom been seen before.

As steel enterprises cut down on their inventory level in the first quarter of this year, steel prices rebounded but did not stay at high levels. Nevertheless, taking advantage of this opportunity, the Group signed up more contracts compared with the same period last year. Subsequently, steel enterprises started to increase capacity as prices went up, and daily steel production volume in May and June 2012 increased from 1.5 million tonnes to 2 million tonnes. However, given the intact macroeconomic austerity measures, slowdown in domestic economic growth, stagnant investment in fixed assets and real estate, and lackluster demand from downstream industries such as equipment, automobile, facilities, shipyard and other transportation manufacturing equipment, the inventory level of steel mill increased and pressure was mounting on the industry.

A severe impact on Chinese steel exports due to the European debt crisis, slower than expected recovery in peripheral economies, weak domestic currencies in markets such as the European Union, India, Vietnam, including an almost 20% depreciation in India Rupees had constituted to an overall pessimistic sentiment. Steel prices remained generally low from the beginning of the second quarter. Up to July 2012, prices of most of the steel materials have declined by more than 20% since the start of the year, reaching new lows for 18 months. Under these circumstances, the Group's business performance was unsatisfactory compared with the same period last year.

For iron ore trading, the total amount of iron ore imported through Mainland China's major ports continued to grow and the amount exceeded 100 million tonnes as of June this year. Iron ore prices intensified their decline since the second quarter of the year and have already dropped by more than 15% from then. With support from iron ore manufacturing plants, execution of the Group's long-term iron ore contract was not significantly affected. However, the market conditions caused profit dropped. Apart from sales generated from the long-term contract, sales in iron ore trading suffered a slowdown comparing with the same period last year.

BUSINESS REVIEW AND OUTLOOK (Continued)

Steel Processing

During the period under review, due to sluggish US and European markets, the overall sales volume and revenue of the Dongguan steel processing plant recorded a flat growth or rose slightly compared with the same period last year. The export business remained fragile though inventories had been reduced drastically. The Group recorded a loss in this segment.

Investment in Mineral Resources

For the Tai Xin minerals project which the Group holds 70% of its equity interest, restructuring its management was completed at the end of last year. During the review period, heightening and reinforcement works of its tailing warehouse have been undertaken as required by the rectification opinion of the domestic safety supervision department. After safety inspection successfully passed by an independent third party expertise from the safety supervision department in June 2012, a safety production permit has been obtained on 2 August 2012. The plant is currently at the preparatory stage to resume production.

Retail Property Investment

The Group's integrated shopping mall in Jiangsu Province continues to provide stable rental yield. Further to the completion of the renovation on 4th to 5th floors and their subsequent leasing campaigns, the Group has already commenced another major revamp and a second round of leasing of the department stores floor area on the 3rd floor. The refurbishment work is expected to be completed in October 2012, aiming to deliver an upgraded shopping experience and offer a selection of superb designers brands to meet increasingly stylish and premium taste of customers. The Group expects annual rental income could be raised by more than 25% after the renovation.

Since last year, the Group has proceeded to engaging in retail real estate master leasing business and European retail brand business. At present, the Group is working together with profession and well experienced joint venture partners and progressing steadily in terms of expansion of distribution network.

Prospects

In the second half of this year, the Group expects the pace of global economic recovery remains sluggish and full of uncertainties for the business environment. To avoid further economic slowdown, the Chinese Government adopts the policy of "steady growth" by lowering the deposit reserve ratio for banks, cutting interest rate, and accelerating the approval of large projects. The effects of these economic stimulus measures have gradually become evident. The Group expects increase in infrastructure investment will continue in the second half of the year. With resumption of those construction projects which ceased last year, increase in demand for steel arising from transportation, energy, water conservancy and other large-scale infrastructure investment and drop in inventory levels owing to the maintenance, production reduction and production halt of medium to large-sized steel mills, the relationship of demand and supply situation will be improved with steel and iron ore prices stabilized.

BUSINESS REVIEW AND OUTLOOK (Continued)

Prospects (Continued)

For steel trading business, the Group will continue to expand the sales network, explore emerging markets, strictly control operating costs, strengthen the end-user base, develop high-end products and engineering steel with higher stabilization, etc, in order to mitigate market risk and achieve better operational performance.

For iron ore trading business, apart from well execution of the long-term iron ore contract with FMG, the Group will continue to explore new mining cooperation opportunities in order to secure stable supply and strengthen the long-term services for steel users.

For steel processing business, the Group will continue to cut costs, reduce inventory, and strengthen marketing capability, striving to secure more contracts in order to turn around the loss by increasing sales volume and unit price.

For investment in mineral resources, the Group will further strengthen the integrated management quality of the team and recruit expertise in exploration and production of processing plants. The Group will also improve the equipment maintenance and trial production progress; and begin production and exploration in certain mining tenements.

For retail property investment, the revamp and leasing activities on the 3rd floor of Yangzhou Times Square will be accomplished in October. It is further anticipated that a favorable income growth will be achieved after completion of the shopping mall's reconfiguration work. Simultaneously, the Group has made good progress of participation in the national retail real estate master leasing business with a renowned business management company. Apart from successful leasing of over 100,000 square meters of operation area, the Group is also actively striving for a numerous of long-term master leasing contracts for new retail projects located in Shanghai, Beijing, Shenzhen, Wuxi, and Tianjin.

To conclude, the Group will focus on our core business with prudent and cautious business strategies in the second half of the year, aiming not only to mitigate market risk and boost operating profits, but also sustaining healthy development of each business.

LIQUIDITY AND FINANCIAL RESOURCES

There has been no significant change in the financial position of the Group since 31 December 2011.

The Group's gearing ratio, as a ratio of total borrowings net of total cash and cash equivalents to total equity was reduced to 0.41 as at 30 June 2012 from 0.42 as at 31 December 2011. The total borrowings of the Group were approximately HK\$1,017 million as at 30 June 2012 and their maturity profile as agreed with the lenders was as follows:

	<i>HK\$ million</i>
Within one year	663
Between one and two years	111
Between two and five years	194
Over five years	49
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	1,017
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FOREIGN EXCHANGE RISK EXPOSURE

The Group's receipts, payments, assets and liabilities are principally denominated in US Dollar, Euro, Renminbi and Hong Kong Dollar. The Group considers that its exposure to exchange rate risk is modest except for Euro. To minimise the exchange rate risk, forward exchange contracts are used when required, in particular for Euro.

CONTINGENT LIABILITIES

There has been no material change in the Group's contingent liabilities since 31 December 2011.

CAPITAL COMMITMENTS

There has been no material change in the Group's capital commitments since 31 December 2011.

CHARGE ON ASSETS

There has been no material change in the Group's charge on assets since 31 December 2011.

STAFF

As at 30 June 2012, the Group employed 769 staff. Staff remuneration packages are structured and reviewed by reference to market terms and individual merits. The Group also provides other staff benefits which include year end double pay, contributory provident fund and medical insurance. Share options and discretionary bonus may also be granted to eligible staff based on individual and Group performance. Training programmes for staff are provided as and when required.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

PROPOSED OFF-MARKET SHARE REPURCHASE

On 31 May 2012, the Company proposed to acquire, through its wholly-owned subsidiary, Burwill Minerals Limited ("BML") the entirety of the 685,700,000 shares of the Company allotted and issued in the name of Tai Xin Holdings Limited and charged in favour of BML in accordance with the terms of the share pledge dated 31 March 2010 and the share purchase agreement dated 5 November 2009 (as amended by the two supplemental agreements dated 24 December 2009 and 31 March 2010 respectively) (the "Share Repurchase"). No consideration is required to be paid to Tai Xin Holdings Limited in order to effect the Share Repurchase.

The Share Repurchase was approved by the independent shareholders of the Company at the special general meeting held on 26 July 2012. The conditions to the Share Repurchase have been fulfilled. As such, the Share Repurchase will be effected in due course. All the 685,700,000 shares to be repurchased will be cancelled subsequently and accordingly the Company's issued share capital will be reduced by the nominal value of these shares.

SHARE OPTION SCHEMES

The option scheme adopted by the shareholders of the Company on 6 June 2002 (the "2002 Option Scheme") was expired. As at 30 June 2012, there were options for 81,460,000 shares granted by the Company pursuant to the 2002 Option Scheme which were outstanding and continue to be valid and exercisable.

Movements of share options granted under the 2002 Option Scheme during the six months ended 30 June 2012 were as follows:

	Date of grant	Exercise price per share HK\$	Exercise period from until		outstanding as at 01/01/2012	Number of share options			outstanding as at 30/06/2012	
						granted during the period	exercised during the period	cancelled during the period		lapsed during the period
(i) Directors										
CHAN Shing	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2011	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2012	05/10/2013	1,320,000	—	—	—	—	1,320,000
SIT Hoi Tung	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2011	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2012	05/10/2013	1,320,000	—	—	—	—	1,320,000
YANG Dawei	06/07/2010	0.5	06/10/2010	05/10/2013	630,000	—	—	—	—	630,000
			06/10/2011	05/10/2013	630,000	—	—	—	—	630,000
			06/10/2012	05/10/2013	540,000	—	—	—	—	540,000
LAU Ting	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2011	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2012	05/10/2013	1,320,000	—	—	—	—	1,320,000
TUNG Pui Shan, Virginia	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2011	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2012	05/10/2013	1,320,000	—	—	—	—	1,320,000
KWOK Wai Lam	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2011	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2012	05/10/2013	1,320,000	—	—	—	—	1,320,000
YIN Mark	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2011	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2012	05/10/2013	1,320,000	—	—	—	—	1,320,000

SHARE OPTION SCHEMES (Continued)

	Date of grant	Exercise price per share HK\$	Exercise period from	Exercise period until	outstanding as at 01/01/2012	granted during the period	Number of share options			outstanding as at 30/06/2012
							exercised during the period	cancelled during the period	lapsed during the period	
(i) Directors (Continued)										
SHAM Kai Man	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2011	05/10/2013	1,540,000	—	—	—	—	1,540,000
			06/10/2012	05/10/2013	1,320,000	—	—	—	—	1,320,000
CUI Shu Ming	06/07/2010	0.5	06/10/2010	05/10/2013	630,000	—	—	—	—	630,000
			06/10/2011	05/10/2013	630,000	—	—	—	—	630,000
			06/10/2012	05/10/2013	540,000	—	—	—	—	540,000
HUANG Shenglan	06/07/2010	0.5	06/10/2010	05/10/2013	630,000	—	—	—	—	630,000
			06/10/2011	05/10/2013	630,000	—	—	—	—	630,000
			06/10/2012	05/10/2013	540,000	—	—	—	—	540,000
MIAO Gengshu (Note)	06/07/2010	0.5	06/10/2010	05/10/2013	630,000	—	—	—	(630,000)	—
			06/10/2011	05/10/2013	—	—	—	—	—	—
			06/10/2012	05/10/2013	—	—	—	—	—	—
SZE Tsai Ping, Michael (Note)	06/07/2010	0.5	06/10/2010	05/10/2013	630,000	—	—	—	(630,000)	—
			06/10/2011	05/10/2013	—	—	—	—	—	—
			06/10/2012	05/10/2013	—	—	—	—	—	—
(ii) Continuous contract employees	06/07/2010	0.5	06/10/2010	05/10/2013	16,030,000	—	—	—	—	16,030,000
			06/10/2011	05/10/2013	16,030,000	—	—	—	—	16,030,000
			06/10/2012	05/10/2013	13,740,000	—	—	—	(540,000)	13,200,000
	28/03/2011	0.5	28/04/2011	27/04/2014	840,000	—	—	—	(840,000)	—
			28/04/2012	27/04/2014	840,000	—	—	—	(840,000)	—
			28/04/2013	27/04/2014	720,000	—	—	—	(720,000)	—
	Total:					85,660,000	—	—	—	(4,200,000)

Note: Mr. MIAO Gengshu and Mr. SZE Tsai Ping, Michael resigned as Directors of the Company on 1 October 2011.

Pursuant to the option scheme adopted by the shareholders of the Company on 8 June 2011, no share options had been granted, exercised, cancelled nor lapsed since its adoption.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the "SFO")) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interests in Shares and Underlying Shares of the Company

Name of Director	Number of ordinary shares & underlying shares				Approximate percentage in the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests	Total	
CHAN Shing	115,474,521 (L) (Note 1)	108,442,601 (L) (Notes 1 & 2)	2,414,966,037 (L) 1,406,427,301 (S) (Notes 3 & 4)	2,638,883,159 (L) 1,406,427,301 (S) (Note 4)	54.13% (L) 28.85% (S)
SIT Hoi Tung	8,813,869 (L) (Note 1)	—	—	8,813,869 (L)	0.18% (L)
YANG Dawei	1,800,000 (L) (Note 5)	—	—	1,800,000 (L)	0.04% (L)
LAU Ting	108,442,601 (L) (Note 1)	115,474,521 (L) (Notes 1 & 6)	2,414,966,037 (L) 1,406,427,301 (S) (Notes 3 & 4)	2,638,883,159 (L) 1,406,427,301 (S) (Note 4)	54.13% (L) 28.85% (S)
TUNG Pui Shan, Virginia	26,125,226 (L) (Note 1)	110,000 (L)	7,104,000 (L) (Note 7)	33,339,226 (L)	0.68% (L)
KWOK Wai Lam	4,400,000 (L) (Note 1)	—	—	4,400,000 (L)	0.09% (L)
YIN Mark	5,400,000 (L) (Note 1)	—	—	5,400,000 (L)	0.11% (L)
SHAM Kai Man	4,400,000 (L) (Note 1)	—	—	4,400,000 (L)	0.09% (L)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Interests in Shares and Underlying Shares of the Company (Continued)

Name of Director	Number of ordinary shares & underlying shares			Total	Approximate percentage in the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests		
CUI Shu Ming	1,800,000 (L) (Note 5)	—	—	1,800,000 (L)	0.04% (L)
HUANG Shenglan	1,800,000 (L) (Note 5)	—	—	1,800,000 (L)	0.04% (L)

Notes:

1. Among these interests, 4,400,000 underlying shares were share options.
2. These interests were held by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
3. 1,290,961,336 shares were held by Glory Add Limited ("Glory Add"), a wholly-owned subsidiary of Favor King Limited (a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting). 226,403,853 shares were held by Hang Sing Overseas Limited ("Hang Sing") which is owned as to 51% by Orient Strength Limited ("Orient Strength"), a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 211,900,848 shares were held by Strong Purpose Corporation, a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 685,700,000 shares were charged by Tai Xin Holdings Limited ("Tai Xin Holdings") in favour of Burwill Minerals Limited, an indirect wholly-owned subsidiary of the Company and such 685,700,000 shares were approved to be repurchased at the special general meeting of the Company held on 26 July 2012.
4. As the interests of each of Mr. CHAN Shing and Ms. LAU Ting are deemed to be the interests of each other, the figures referred to the same shares.
5. Among these interests, 1,800,000 underlying shares were share options.
6. These interests were held by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
7. 7,104,000 shares were owned by Focus Cheer Consultants Limited, a company which is wholly-owned by Ms. TUNG Pui Shan, Virginia.
8. The letter "L" denotes long position and the letter "S" denotes short position.

Save as otherwise disclosed above, as at 30 June 2012, none of the Directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company:

Interests in Shares and Underlying Shares

Name of shareholder	Nature of interest	Number of ordinary shares & underlying shares	Approximate percentage in the Company's issued share capital	Note
Favor King Limited	Corporate	1,290,961,336 (L) 1,290,961,336 (S)	26.48% (L) 26.48% (S)	1
The Company	Corporate	685,700,000 (L)	14.06% (L)	2
Burwill Minerals Limited	Chargee	685,700,000 (L)	14.06% (L)	2
Li Xuan	Corporate	685,700,000 (L) 685,700,000 (S)	14.06% (L) 14.06% (S)	2
Tai Xin Investment Limited	Corporate	685,700,000 (L) 685,700,000 (S)	14.06% (L) 14.06% (S)	2

Notes:

- These interests were held by Glory Add, a company which is wholly-owned by Favor King Limited. Favor King Limited is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting.
- These interests held by Tai Xin Holdings (a direct wholly-owned subsidiary of Tai Xin Investment Limited) and charged by Tai Xin Holdings in favour of Burwill Minerals Limited (an indirect wholly-owned subsidiary of the Company) were approved to be repurchased at the special general meeting of the Company held on 26 July 2012. Tai Xin Investment Limited is wholly-owned by Mr. Li Xuan.
- The letter "L" denotes long position and the letter "S" denotes short position.

Save as disclosed above, as at 30 June 2012, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

AUDIT COMMITTEE

The Company has established an Audit Committee which comprises the three Independent Non-Executive Directors of the Company, Mr. CUI Shu Ming, Mr. HUANG Shenglan and Mr. CHAN Ming Fai. The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The unaudited interim financial statements of the Group for the six months ended 30 June 2012 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee which comprises the Executive Director and Deputy General Manager, Mr. SIT Hoi Tung, and two Independent Non-Executive Directors, Mr. CUI Shu Ming and Mr. HUANG Shenglan. The Remuneration Committee is responsible for considering and reviewing the remuneration packages of the Directors and the senior management of the Company.

NOMINATION COMMITTEE

The Company has established a Nomination Committee which comprises the Chairman and Managing Director, Mr. CHAN Shing, the Executive Director and Deputy General Manager, Mr. SIT Hoi Tung, and three Independent Non-Executive Directors of the Company, Mr. CUI Shu Ming, Mr. HUANG Shenglan and Mr. CHAN Ming Fai. The Nomination Committee will review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix I4 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2012, except for the following deviations:

- Code provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals with active participation, either in person or through other electronic means of communication, of a majority of directors entitled to be present. As the Company did not announce its quarterly results, one regular Board meeting was held during the period for reviewing and approving the annual results of the Group for the year 2011, which the relevant Code provision had not been fully complied with. Board meetings will be held on other occasions when Board decisions are required.

CORPORATE GOVERNANCE (Continued)

- Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman and Managing Director of the Company, Mr. CHAN Shing, currently assumes the role of the chairman and also the chief executive officer. Given the nature of the Group's businesses which require considerable market expertise, the Board believed that the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.
- Code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Directors have not been required by the Bye-laws of the Company (the "Bye-laws") to retire by rotation at least once every three years. However, in accordance with Bye-law 85 of the Bye-laws, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), other than the Director holding office as Chairman or Managing Director, shall retire from office by rotation. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairman or Managing Director, by rotation at least once every three years in order to comply with Code provision A.4.2. The Board considered that the continuity of office of the Chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

On behalf of the Board

CHAN Shing

Chairman

Hong Kong, 24 August 2012

As at the date of this report, the Board of Directors of the Company comprises Mr. Chan Shing, Mr. Sit Hoi Tung, Mr. Yang Dawei, Ms. Lau Ting, Ms. Tung Pui Shan, Virginia, Mr. Kwok Wai Lam, Mr. Yin Mark and Mr. Sham Kai Man as executive directors, Mr. Cui Shu Ming, Mr. Huang Shenglan and Mr. Chan Ming Fai as independent non-executive directors.